

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L USNATO 0180

E.O. 11652: GDS

TAGS: NATO XG ETRN MARR

SUBJ: AGENDA FOR CENTRAL EUROPE PIPELONE POLICY COMMITTEE (CEPPC)

MEETING, 23-24 JAN 75

DEFENSE FOR OASD/I&L

BEGIN SUMMARY. CEPPC AGENDA INCLUDES ITEMS ON PROPOSAL FOR USE OF FLOATING RATES, PROPOSAL FOR INCREASES IN MILITARY TARIFFS, APPROVAL OF ONE NON-NATO MOVEMENT AND OF BILATERAL ARRANGEMENT CONCERNING BRITISH FUEL STORAGE DEPOT AT MUNSTER. ACTION REQUESTED: APPROVAL OF OR FURTHER GUIDANCE ON U.S. POSITION PROPOSED FOR MILITARY TARIFF INCREASES.
END SUMMARY.

MAIN AGENDA ITEMS AND PROPOSED U.S. POSITIONS FOLLOW:

II. FLOATING RATES IN LIEU OF FIXED PARTY RATES.

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IN ACCORDANCE WITH INSTRUCTIONS CONTAINED STATE 222553, MISSION INTENDS TO APPROVE USE OF FLOATING RATES FOR BOTH CONTRIBUTIONS AND INVOICES FOR MILITARY TARIFFS. AS NOTED IN USNATO 6947, ALL ALLIES EXCEPT FRANCE HAVE APPROVED APPLICATION OF FLOATING RATES

TO CONTRIBUTIONS. MISSION INTENDS TO UNITE WITH OTHER ALLIES IN PRESSING FRANCE FOR APPROVAL. IN ANY CASE, WE HAVE APPLIED FLOATING RATES IN OUR MOST RECENT CONTRIBUTIONS TO CEOA, RESULTING IN SAVING OF 105,000; *FR.

PROPOSAL CONCERNING FLOATING RATES FOR TARIFFS OF MILITARY MOVEMENTS AS OUTLINED IN AC/120-D/876 HAS NOT AS YET BEEN DISCUSSED. PRESENT SYSTEM IS BASED ON FLOATING VALUE OF FRENCH FRANC, THUS CEPS REVENUES THROUGHOUT THE SYSTEM INCREASE OR DECREASE IN PROPORTION TO THE CURRENT VALUE OF THE FRENCH FRANC. MISSION BELIEVES THAT IT CAN CONVINCE ALL MEMBERS (WITH POSSIBLE EXCEPTION OF FRANCE) THAT MANAGEMENT OF THE DEFICIT DEPENDS UPON A STEADY AND VERIFIABLE REVENUE.

III. MILITARY TARIFFS

MISSION NATED IN USNATO 6947 ITS SUPPORT FOR INCREASE IN MILITARY TARIFFS AS PROPOSED IN AC/120-D/892, SINCE THE PROPOSED INCREASE OF THE CEPS UNIT FROM 0.92 FFR TO 1.10 FFR APPROXIMATES THE 18 PERCENT INCREASE IN CEPS COSTS. CEOA SUGGESTS, HOWEVER, THAT THE STORAGE TARIFF SHOULD ALSO BE INCREASED FROM 3 TO 3.5 UNITS PER CUBIC METER PER MONTH, WHICH REPRESENTS AN ADDITIONAL 17 PERCENT INCREASE OR A TOTAL INCREASE IN STORAGE CHARGES OF 35 PCT. WE WOULD PROPOSE THEREFORE NOT TO APPROVE THE INCREASE IN THE NUMBER OF UNITS CHARGED FOR STORAGE AT THIS TIME BUT ONLY TO THE VALUE OF THE UNITS. CEOA MAKES MUCH OF THE FACT THAT STORAGE TARIFFS ONLY COVER SOME TWO-THIRDS OF STORAGE COSTS BUT THIS STUDY HAS NEVER BEEN PRESENTED AND VERIFIED. NOR HAVE WE BEEN ABLE TO CHECK WHETHER OR NOT THE COSTS FOR STORAGE ARE INFLATED BY HOST NATION REQUIREMENTS (PERSONNEL, TAXES, ETC.). REQUEST GUIDANCE ON PROPOSAL FOR TARIFF INCREASE BY 22 JAN.

CEOA HAS ALSO PROPOSED IN AC/120-D/986 A REVIEW OF THE STRUCTURE OF MILITARY TARIFFS. IN PARTICULAR, THEY SUGGEST USE OF REAL DISTANCES RATHER THAN ADJUSTED KILOMETERS AS BASIS FOR BILLING. CEOA'S CASE IS A STRONG ONE AND WOULD RESULT IN A FFR 600,000 SAVINGS FOR THE U.S. TO OFFSET THAT U.S. ADVANTAGE, CEOA PROPOSES TO MODIFY THE REDUCTIONS FOR LARGE QUANTITIES BY CONFIDENTIAL

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ELIMINATING THE TARIFF REDUCTION AT THE 30 PERCENT RATE. THIS WOULD AMOUNT TO A \$23,000 INCREASE IN COST TO THE U.S. THIS MODIFICATION IN THE MILITARY TARIFFS WOULD ALSO BE APPLIED TO CIVIL TARIFFS AND HAVE THE EFFECT OF RAISING THOSE TARIFFS. WE DO NOT AS YET HAVE SUFFICIENT INFORMATION ON D-896 AND INTEND TO PARTICIPATE IN DISCUSSION WITHOUT COMING TO CONCLUSION. WE WILL REPORT AFTER THE MEETING.

IV. NON-NATO MOVEMENTS FROM PERNIS TO HESEPE.
WE INTEND TO APPROVE AC/120-D/878.

V. NATIONAL BRITISH FUEL STORAGE DEPOT AT MUNSTER.
WE INTEND TO APPROVE CEOA/UK ARRANGEMENT DESCRIBED AC/120-D/879.

VII.ANY OTHER BUSINESS.

MISSION INTENDS TO RAISE SUBJECT OF IMPLEMENTATION OF PERMREP
INVITATION TO REDUCE CEPS COSTS AS AGREED TO BY CEPPC AND REPORTED
USNATO 6947 UNDER ITEM IV IF COMMITTEE IS TO MAKE PROGRESS
BY APRIL/MAY AS AGREED, WE MUST FOCUS ON THIS ITEM IMMEDIATELY.
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